Subpart A—General

§ 1714.1 [Reserved]

§ 1714.2 Definitions.

The definitions set forth in 7 CFR 1710.2 are applicable to this part, unless otherwise stated. References to specific RUS forms and other RUS documents, and to specific sections of such forms and documents, shall include the corresponding forms, documents, sections and lines in any subsequent revisions of these forms and documents.

§ 1714.3 Applicability of provisions.

(a) *Insured electric loans approved on or after November 1, 1993.* On November 1, 1993, the Rural Electrification Loan Restructuring Act, Pub. L. 103–129, 107 Stat. 1356, (RELRA) amended the Rural Electrification Act of 1936, 7 U.S.C. 901 *et seq.*, (RE Act) to establish a new interest rate structure for insured electric loans. Insured electric loans approved on or after this date, are either municipal rate loans or hardship rate loans. Borrowers meeting the criteria set forth in § 1714.8 are eligible for 5 percent hardship rate loans. The interest rate on loans to other borrowers is the municipal interest rate, and borrowers meeting the criteria set forth in § 1714.7 are eligible for the interest rate cap on their municipal rate loans. Interest rates for the initial interest rate term and rollover terms (§ 1714.6) will be determined pursuant to § 1714.4. Provisions for prepayment are set forth in § 1714.9. The provisions of this subpart apply to loans approved on or after November 1, 1993, unless otherwise stated.

(b) *Insured electric loans approved prior to November 1, 1993.* These loans have a single interest rate applicable to the entire loan. The rate is generally 5 percent, but, in some cases, may be as low as 2 percent. These loans have a single interest rate term and may be prepaid at face value at any time. Provisions for discounted prepayment of these loans are set forth in 7 CFR part 1786.

§ 1714.4 Interest rates.

(a) *Municipal rate loans.* Each advance of funds on a municipal rate loan shall bear interest at a single rate for each interest rate term. All interest rates applicable to municipal rate loans will be increased by one eighth of one percent (0.125 percent), if the borrower elects to include in the loan agreement a prepayment option (call provision), allowing the borrower to prepay all or a portion of an advance on a date other than a rollover maturity date. However, no interest rate for any advances of a loan to a borrower who qualifies for the interest rate cap may exceed 7 percent.

(b) *Hardship rate loans.* All advances of funds on hardship rate loans shall bear interest at a rate of 5 percent.

(c) *Application procedure.* The borrower's board resolution submitted with the loan application must indicate whether the application is for a municipal rate loan, with or without the interest rate cap, or a hardship rate loan. If the application is for a municipal rate loan, the board resolution must also indicate whether the borrower intends to elect the prepayment option.

§ 1714.5 Determination of interest rates on municipal rate loans.

(a) RUS will publish a schedule of interest rates for municipal rate loans in the FEDERAL REGISTER at the beginning of each calendar quarter. The schedule will show the year of maturity and the applicable interest rates in effect for all funds advanced on municipal rate loans during the calendar quarter and all interest rate terms beginning in the quarter. All interest rates will be adjusted to the nearest one eighth of one percent (0.125 percent).

(b) The rate for interest rate terms of 20 years or longer will be the average of the 20 year rates published in the Bond Buyer in the 4 weeks specified in paragraph (d) of this section for the "11-Bond GO Index" of Aa rated general obligation municipal bonds, or the successor to this index.

(c) The rate for terms of less than 20 years will be the average of the rates published in the Bond Buyer in the 4 weeks specified in paragraph (d) of this